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DEPARTMENT FOR DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A
TAGS: [ETTC](#) [JA](#) [KOMC](#)
SUBJECT: GOJ RESPONSE ON BLUE LANTERN LEVEL 3:
POST-SHIPMENT END-USE CHECK ON LICENSES 050055671,
050040344, 050027799, 050046738

REF: STATE 09478

¶1. (SBU) Summary: Post was unable to determine definitively that the end user for the parts in the reftel is the Ministry of Defense (MOD) because the end user has no inventory. Trading company officials told us they stock parts for future contracts to avoid fines on late delivery. Company executives and MOD officials refused to provide copies of contracts to verify their commercial relationship. End Summary.

¶2. (SBU) Post contacted Japanese Maritime Self Defense Force (JMSDF) Staff Officer Lt Commander Koshu Nagayama concerning the Ministry of Defense receipt of SH-60 helicopter parts. On February 19, Nagayama told us the JMSDF does not have inventories against which to verify the receipt of the parts in reftel. As the unit has no inventory, Nagayama contacted the trading companies and reported back the following information:

DTC Case: 05002779
Some of the shipment has not been delivered. The delivery is being coordinated between Mitsubishi Heavy Industry (MHI) and foreign consignee, Daicel Chemical Industries. JMSDF reports this is their first purchase via Daicel Chemical. However, Nagayama believes Daicel has sold to the Japanese Ground Self Defense Force (JGSDF) and Japan Air Self Defense Force (JASDF) in the past.

DTC Case: 050040344
The goods have not arrived yet. They are scheduled to be delivered in seven shipments between March 6, 2008 and July 9, 2009. JMSDF reports they have purchased from foreign consignee Ishikawajima Harima Heavy Industries (IHI) in the past. The previous purchase was a T-700 engine and its parts.

DTC Case: 050046738
The goods have not arrived yet. MHI ordered FCRS (Flight Control Reference System) via Mitsubishi Precision on March 29, 2007 with delivery due July 8, 2009.

Site Visits

¶2. (SBU) Because JMSDF had no record of their own parts or of ordered and incoming parts, Post conducted site surveys of both HMI and Ishikawajima Harima Heavy Industries, Ltd. (IHI) to determine the movement of helicopter parts with greater clarity than our MOD contacts were able to provide.

¶3. (SBU) On February 27, we met with Mitsubishi Heavy Industries (MHI) Defense Aircraft Manager Nobuhiro Kawahara, who said he was nervous; no one from the Embassy had ever visited the company before on a Blue Lantern check. Kawahara explained the MHI function for these licenses is the assembly

of completed helicopters for delivery to MOD, along with the delivery of some spare parts. We asked MHI to provide us a copy of the contract to confirm definitively the end user of all parts on these licenses, but Kawahara said he would have to check with MOD for permission. As other companies have provided copies of contracts, this request would seem perfunctory. However, on March 11, Kawahara told us, per MOD's advice, the contracts would not be provided.

¶4. (SBU) On February 29, we met with IHI executives led by General Manager Masato Kawaguchi. Kawaguchi explained IHI's role in this series of cases is to machine the products provided by U.S.-based companies and provide them to HMI. That company then builds the SH-60 helicopters for delivery to MOD. IHI also specializes in testing and refurbishing engines. The end user for the parts from IHI is HMI. After HMI receives the parts from IHI, they assemble them and deliver the final product to MOD. As such, IHI's relationship is with HMI, not MOD.

¶5. (SBU) On February 29 in relation to DTC Case 050055671, Tamagawa Seiki Company Manager Toshimi Kajita told us that sometimes their company orders parts in advance with no MOD contract. Some of the advanced ordered parts are stocked in his company, but not all are listed as "stock," because some are "defective," so they need to order replacements. For example, they ordered and received two shipments of 20, a total of 40 gear bevels P/N 1050201, of which 24 will be used for the contract with MOD. The remaining parts are simply in stock. This information was forwarded as an email attachment (DTC D) to defense trade controls on March 11, subject line: 0500727799: Blue Lantern SH-60 Helicopter Parts.

¶6. (SBU) Daicel also told us they routinely order parts in advance without MOD contracts to support them. In attachment

DTC A of the aforementioned email, it shows how items for the current contract were filled with products obtained via previous licenses, shipped and held in stock. Note: Japanese trading companies are most likely stocking USML items because MOD charges high penalties for any delays in delivery. End Note.

¶7. (SBU) Comment: Given MOD does not have an inventory, Post is unable to make a final determination in this case.

SCHIEFFER